

# Facts

## for Consumers

### Credit and Your Consumer Rights

Federal Trade Commission

[www.ftc.gov](http://www.ftc.gov)

Toll-free 1-877-FTC-HELP

For the Consumer

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**A** good credit rating is very important. Businesses inspect your credit history when they evaluate your applications for credit, insurance, employment, and even leases. Based on your credit payment history, businesses can choose to grant or deny you credit provided you receive fair and equal treatment. Sometimes, things happen that can cause credit problems: a temporary loss of income, an illness, even a computer error. Solving credit problems may take time and patience, but it doesn't have to be an ordeal.

The Federal Trade Commission (FTC) enforces credit laws that protect your right to obtain, use, and maintain credit. These laws do not guarantee that everyone will receive credit. Instead, the credit laws protect your rights by requiring businesses to give all consumers a fair and equal opportunity to receive credit and to resolve disputes over credit errors. This brochure explains your rights under these laws and offers practical tips to help you solve credit problems.



#### Your Credit Report

Your credit payment history is recorded in a file or report. These files or reports are maintained and sold by "consumer reporting agencies" (CRAs). One type of CRA is commonly known as a credit bureau. You have a credit record on file at a credit bureau if you have ever applied for a credit or charge account, a personal loan, insurance, or a job. Your

credit record contains information about your income, debts, and credit payment history. It also indicates whether you have been sued, arrested, or have filed for bankruptcy.

**The Fair Credit Reporting Act (FCRA)** is designed to help ensure that CRAs furnish correct and complete information to businesses to use when evaluating your application.

#### Your rights under the Fair Credit Reporting Act:

- ◆ You have the right to receive a copy of your credit report. The copy of your report must contain all of the information in your file at the time of your request.
- ◆ You have the right to know the name of anyone who received your credit report in the last year for most purposes or in the last two years for employment purposes.
- ◆ Any company that denies your application must supply the name and address of the CRA they contacted, provided the denial was based on information given by the CRA.
- ◆ You have the right to a free copy of your credit report when your application is denied because of information supplied by the CRA. Your request must be made within 60 days of receiving your denial notice.

- ◆ If you contest the completeness or accuracy of information in your report, you should file a dispute with the CRA and with the company that furnished the information to the CRA. Both the CRA and the furnisher of information are legally obligated to reinvestigate your dispute.
- ◆ You have a right to add a summary explanation to your credit report if your dispute is not resolved to your satisfaction.



### **Your Credit Application**

When creditors evaluate a credit application, they cannot lawfully engage in discriminatory practices.

**The Equal Credit Opportunity Act (ECOA)** prohibits credit discrimination on the basis of sex, race, marital status, religion, national origin, age, or receipt of public assistance. Creditors may ask for this information (except religion) in certain situations, but may not use it to discriminate when deciding whether to grant you credit.

The ECOA protects consumers who deal with companies that regularly extend credit, including banks, small loan and finance companies, retail and department stores, credit card companies, and credit unions. Everyone who participates in the decision to grant credit, including real estate brokers who arrange financing, must follow this law. Businesses applying for credit also are protected by this law.

### **Your rights under the Equal Credit**

#### **Opportunity Act:**

- ◆ You cannot be denied credit based on your race, sex, marital status, religion, age, national origin, or receipt of public assistance.
- ◆ You have the right to have reliable public assistance considered in the same manner as other income.
- ◆ If you are denied credit, you have a legal right to know why.



### **Your Credit Billing and Electronic Fund Transfer Statements**

It is important to check credit billing and electronic fund transfer account statements regularly. These documents may contain mistakes that could damage your credit status or reflect improper charges or transfers. If you find an error or discrepancy, notify the company and contest the error immediately. **The Fair Credit Billing Act (FCBA)** and **Electronic Fund Transfer Act (EFTA)** establish procedures for resolving mistakes on credit billing and electronic fund transfer account statements, including:

- ◆ charges or electronic fund transfers that you — or anyone you have authorized to use your account — have not made;
- ◆ charges or electronic fund transfers that are incorrectly identified or show the wrong amount or date;
- ◆ computation or similar errors;

- ◆ failure to reflect payments, credits, or electronic fund transfers properly;
- ◆ not mailing or delivering credit billing statements to your current address, as long as that address was received by the creditor in writing at least 20 days before the billing period ended;
- ◆ charges or electronic fund transfers for which you request an explanation or documentation, due to a possible error.

The FCBA generally applies only to “open end” credit accounts — credit cards, revolving charge accounts (such as department store accounts), and overdraft checking accounts. It does not apply to loans or credit sales that are paid according to a fixed schedule until the entire amount is paid back, such as an automobile loan. The EFTA applies to electronic fund transfers, such as those involving automatic teller machines (ATMs), point-of-sale debit transactions, and other electronic banking transactions.



### **Your Debts and Debt Collectors**

You are responsible for your debts. If you fall behind in paying your creditors or an error is made on your account, you may be contacted by a “debt collector.” A debt collector is any person, other than the creditor, who regularly collects debts owed to others. This includes lawyers who collect debts on a regular basis. You have the right to be treated fairly by debt collectors.

**The Fair Debt Collection Practices Act (FDCPA)** applies to personal, family, and household debts. This includes money owed for the purchase of a car, for medical care, or for charge accounts. The FDCPA prohibits debt collectors from engaging in unfair, deceptive, or abusive practices while collecting these debts.

Your rights under the Fair Debt Collection Practices Act:

- ◆ Debt collectors may contact you only between 8 a.m. and 9 p.m.
- ◆ Debt collectors may not contact you at work if they know your employer disapproves.
- ◆ Debt collectors may not harass, oppress, or abuse you.
- ◆ Debt collectors may not lie when collecting debts, such as falsely implying that you have committed a crime.
- ◆ Debt collectors must identify themselves to you on the phone.
- ◆ Debt collectors must stop contacting you if you ask them to in writing.



### **Solving Your Credit Problems**

Your credit report influences your purchasing power, as well as your chances to get a job, rent or buy an apartment or a house, and buy insurance. A history of timely credit payments helps you get additional

credit. Accurate negative information can stay on your report for seven years. A bankruptcy can stay on your report for 10 years. If you are having problems paying your bills, contact your creditors at once. Try to work out a modified payment plan with them that reduces your payments to a more manageable level. Don't wait until your account has been turned over to a debt collector.

Here are some additional tips for solving credit problems:

- ◆ If you want to contest a credit report, bill or credit denial, contact the appropriate company in writing and send it "return receipt requested."
- ◆ When you contest a billing error, include your name, account number, the dollar amount in question, and the reason you believe the bill is wrong.
- ◆ If in doubt, request written verification of a debt.
- ◆ Keep all your original documents, especially receipts, sales slips, and billing statements. You will need them if you dispute a credit bill or report. Send copies only. It may take more than one letter to correct problems.
- ◆ Be skeptical of businesses that offer instant solutions to credit problems.
- ◆ Be persistent. Resolving credit problems can take time and effort.

- ◆ There is nothing that a credit repair company can do for you — for a fee — that you cannot do for yourself for little or no cost.

If you can't resolve your credit problems yourself or if you need help, you may want to contact a credit counseling service. Nonprofit organizations in every state counsel consumers in debt. Counselors try to arrange repayment plans that are acceptable to you and your creditors. They also can help you set up a realistic budget. These services usually are offered at little or no cost.

Universities, military bases, credit unions, and housing authorities also may offer low- or no-cost credit counseling programs. Check the white pages of your telephone directory for a service near you.

The FTC cannot represent individuals in private disputes. You can take a legitimate grievance to your state attorney general or local consumer protection office. You also may take your case to a private attorney.

The Federal Trade Commission publishes free brochures on credit-related issues. For a complete list of publications, write for Best Sellers, Consumer Response Center, Federal Trade Commission, Washington, DC 20580; or call, toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502. You also can access FTC consumer and business publications at **[www.ftc.gov](http://www.ftc.gov)**.

